

**Proposal for Formation of an Industry Entity to Manage the Centralized  
Toll-Free Database  
March 1, 2011**

**Purpose**

The following proposal provides a framework for formation of a new Industry Entity. The intent of this change is to provide more representative leadership for the management currently provided by SMS/800, Inc. RespOrgs currently pay 90% of the revenue for SMS/800, Inc., however participation in decisions are limited still limited to the three RBOCs (Regional Bell Operating Companies (RBOCs).

The board members of SMS/800, Inc. have informed this group that they have been "charged" by the FCC with designing and implementing a new management organization for SMS. We, the members of this industry group now known as SMS 2011, are requesting the FCC instead "charge" a transition team with much more varied representation to be established to design, plan, and implement a new structure to allow for an SMS management team. This team will be tasked with ensuring there is widespread industry acceptance of the new plan before it is brought to the FCC with a request for subsequent order. We do not believe having the same three companies that currently operate 800/SMS. Inc. will result in that acceptance.

The transition team will not be authorized to make any changes to current business management (DSMI), rates, tariff structure, SCP contracts, or customer interfaces. Those changes could not occur until the new organization is in place.

Note: Currently the SMT structure, budget, detail of responsibilities, and minutes of meetings are not public. It would be necessary for the transition team to have full access to current documents and budgets for planning purposes.

**Who is SMS 2011?**

SMS 2011 is unique blend of the toll free community. Our participants volunteered to work on this proposal after participating in a conference call attended by SMS/800, Inc. DSMI and twenty nine different RespOrgs. The group originally included carrier RespOrgs, non-carrier RespOrgs, SCP owner operators, an 800/SMS. Inc. board member and DSMI managers. The March 1 FCC date was announced and this group began to work on a proposal.

Twenty minutes before the first call Ms. Callan told Ms. Christofferson who was hosting the calls, that the RBOCs had arranged to present their own proposal on February 8, 2011. The group continued to work together on a proposal, but on February, 9 2011 the board members of SMS/800, Inc. informed the group that now that their proposal was before the FCC they would not participate and forbid DSMI to participate. Although the other participants felt that continuing together was more useful, the members of the SMS/800, Inc. board would not negotiate their participation or DSMI's. Unfortunately that means that the proposal today was not as we had hoped, a melding of all industry input.

On February 14, 2011 the proposal was shared with all 377 Primary Contacts listed in [www.800sms.com](http://www.800sms.com).

## **Background**

In 1984 with the breakup of the "Bell System" the FCC ordered the BOCs to offer a plan for access to "800 Service" to all of the IXCs. The RBOCs were charged with the development of a system to accomplish this. The Commission also mandated that the RBOCs either file a joint tariff or that one of them file a tariff and the others concur in that single filing.

The RBOCs chose to file a joint tariff which continues to be the tariff for all RespOrgs. The RBOCs selected Bellcore, to develop the system for 800 portability. Bellcore (Bell Communications Research, Inc.) was formed in 1984 as a result of the breakup of the Bell System. It was jointly owned by the seven RBOCs. Bellcore was sold to SAIC (Science Applications International Corp.) in November 1997 and changed its name Telcordia, Inc. because SAIC did not have rights to use the "Bell" name or logo after the sale. In the division of asset Telcordia retained ownership of the SMS/800 software but granted the RBOCs a perpetual right to use license. Telcordia is now owned by Warburg Pincus and Providence Equity Partners.

Between 2000 and 2006 there were several attempts by the industry and the FCC to change the makeup of the SMS Management Team (SMT). In 2002 Sprint led a group of long distance companies and RespOrgs to draft an LLC Agreement for the purpose of expanding the management of SMS. The FCC hosted an FCC Forum on March 4, 2002 and announced its plan to issue a NPRM, but that never happened. In 2008 Steven Levinn from csf Corp. and Aelea Christofferson from ATL Communications brought this issue to the FCC in combination with some other RespOrg concerns, but no follow-up was done after that.

In 2006 SMT incorporated and became SMS/800, Inc. The board still consisted of one position for each BOC. Now through mergers and acquisitions the BOCs became only three companies. Today SMS/800, Inc. consists of three board positions; Qwest, AT&T, and Verizon.

During this same period of time the number of RespOrgs grew significantly and the types of businesses becoming RespOrgs expanded. In April 1993 there were less than 50 RespOrgs that were almost entirely carriers, resellers and an independent. Today there are 377 RespOrgs and not just carriers and resellers, but end users, cable companies, IP companies, number brokers, consultants, shared use providers, and others.

## **Why is there a need for change and why now?**

The toll free industry has changed substantially since 1991. At that time there was limited toll free competition; in fact there was limited long distance competition. Local competition was not yet envisioned. SS7 was the latest thing. Since there was little competition the idea that there was a marketable value to toll free numbers was not considered in a realistic way. It was thought that RespOrgs would be primarily the BOCs and a handful of others. Instead the original design has left 374 of the 377 RespOrgs outside the decision making process which affects their day to day RespOrg operations.

Now the industry is changing again and those changes need to be faced with a management group that is appropriate for the new industry. Currently originating toll free calls are based on purchase of Feature Group D (FGD) and distribution of a Carrier Identification Code (CIC). There are only six companies with widely distributed CICs. CICs are expensive and difficult to load throughout the country. The last carrier to implement a nationwide CIC code was Williams Communications (Level 3) about ten years ago.

In 2009 AT&T asked the FCC to abolish regulations that require them to support and maintain landline infrastructure and to set a deadline for completely phasing out wireline services. These announcements will make investment in CICs unrealistic. It is inevitable that changes towards IP based networks will need to take place. SMS 2011 would like to have a management group in place ahead of the regulatory, network, and systems changes fueled by these changes instead of being reactive to them.

There are RespOrg now that have never been landline companies and find it surprising and unacceptable that they are required to use one of six companies to originate their toll free calls. The fact that three of these six companies are the only members of SMS/800, Inc. makes this an unpalatable situation for these new players.

### **Proposal**

It is clear is that the FCC order is the most important step toward a representative leadership framework. It makes little sense for that order to again put just three companies in charge of the transition. This proposal lays a careful foundation for the FCC to order the current BOC membership to change with little upheaval in the industry. It also gives time for a wide group of stakeholders to be involved so when the transition team returns to ask the FCC for an order to make the actual board membership change there is already buy-in from a well represented group.

### **Therefore SMS 2011 requests the FCC issue the following order.**

A transition team be created by the FCC for the purpose of planning and implementing a new SMS management organization. Within six months the transition team will bring a management structure that has been available for input by the industry stakeholders and able to be implemented immediately. The group will consist of:

- One current SMS/800, Inc. board member
- Current SMS/800, Inc. external legal counsel
- Michael Wade and Anil Patel from DSMI
- Three members from the SMS 2011 committee
- Three company members from the RespOrg community
- One SCP Owner/Operator

### **Costs for proposal:**

It is our understanding from earlier meetings with SMS/800, Inc. board members that the transition team costs will be absorbed by the current SMS/800, Inc. budget and will not impact the current tariff rates.

## SMS 2011 Committee Members

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